

## Message Text

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70

ACTION NEA-10

INFO OCT-01 ISO-00 COME-00 EB-07 OMB-01 TRSE-00 L-03 PA-02

PRS-01 USIA-15 CIAE-00 INR-07 NSAE-00 SIL-01 LAB-04

FRB-01 AID-05 CEA-01 H-02 /061 W

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R 181235Z JUL 75

FM AMEMBASSY TEL AVIV

TO SECSTATE WASHDC 7582

UNCLAS TEL AVIV 4597

E.O.11652: N/A

TAGS: EFIN IS

SUBJECT: KNESSET PASSES TAX REFORM BILL

REF: TEL AVIV 1580, TEL AVIV 2032

1. KNESSET PASSED TAX REFORM LAW JULY 10 INTENDED TO REDUCE INCOME-TAX RATES AND SIMULTANEOUSLY CANCEL EXEMPTIONS ON MOST FORMERLY TAX-FREE BENEFITS. LAW BASED ON LONG DEBATED RECOMMENDATION OF BEN SHAHAR COMMITTEE AIMED AT IMPROVING PUBLIC MORALE BY SIMPLIFYING TAX STRUCTURE, RAISING INCENTIVES FOR WORK, ELIMINATING PAY AND TAX DISTORTIONS, AND THUS, MINIMIZING BOTH TAX AVOIDANCE AND EVASION. EXACT APPLICATION OF TAX REFORM, AND DETAILED INSTRUCTIONS TO EMPLOYERS ON HOW TO DEDUCT TAXES AS FROM JULY'S WAGES, WILL BE ANNOUNCED SHORTLY BY STATE REVENUE ADMINISTRATION.

2. GOVERNMENT EXPECTS AN IL 2 BILLION LOSS( ON AN ANNUAL BASIS) IN TAX REVENUE FROM IMPLEMENTATION OF TAX REFORM WHICH WILL BE PARTLY OFFSET BY INTRODUCTION OF THE VALUE ADDED TAX( VAT), IMPLEMENTATION OF WHICH ORIGINALLY SET FOR OCTOBER. HOWEVER, THERE IS INCREASINGLY SPECULATION THAT VAT WILL BE DELAYED UNTIL NEXT YEAR.

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3. MOST WAGE EARNERS ANTICIPATE INCREASE IN TAKE-HOME

PAY BUT MANY EMPLOYEES(JOURNALISTS, AIRLINE AND SHIPPING  
COMPANIES' PERSONNEL, HIGHER EXECUTIVES, ETC) WHO FORMERLY  
ENJOYED EXTENSIVE TAX-FREE BENEFITS SUCH AS CAR AND TELEPHONE  
ALLOWANCES, PER DIEM EXPENSES,ETC. FEAR A REDUCTION IN  
NET PAY. IN ATTEMPT TO EASE LATTER'S ANXIETY, FINANCE  
MINISTER RABINOWITZ HAS SAID PUBLICLY THAT HE  
WOULD ATTEMPT FIND WAY TO  
PREVENT REDUCTION ACTUAL LOSS OF NET INCOME AS RESULT  
TAX REFORM LAW.  
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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** TAX REFORMS, LEGISLATIVE BILLS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 18 JUL 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
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**Document Unique ID:** 00  
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**Film Number:** D750249-0564  
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**To:** STATE  
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